

United States Panel

Employment

Clark Kerr

Institute of Industrial Relations

CHAIRMAN PERKINS: We will now move to the fourth and last of regional panel discussions by focusing on the United States, a country which perhaps has had more experimentation with the university-corporate relationship than most. First I call on my colleague, Dr. Clark Kerr, whom as most of you know, was the distinguished President of the University of California. After that he was a Chairman of the Carnegie Commission and later the Carnegie Council on Higher Education. Earlier he was a Professor of Economics at the University of California, Berkeley. Dr. Kerr is a graduate of Swarthmore College near Philadelphia, which was also my alma mater. I said at breakfast this morning, looking at the two of us today it is not immediately clear that we at one time played on the Swarthmore College soccer team together. Dr. Kerr will speak on corporate-university relationships with respect to improving the prospects for employment. Dr. Clark Kerr.

DR. KERR: My topic is "higher education and the labor market," and I phrase it that way for these reasons. I say "higher education" rather than "the university" because in the United States we are very dependent not only on our universities but also on our four-year and particularly on our two-year colleges in meeting the needs of the labor market. And I say the "labor market" rather than "the corporation" because we are concerned not only with serving corporations but also small businesses, the professions, government and so forth.

The first important point, as all of you recognize, is that the American system of higher education is extremely enrollment driven. That is the basic

factor which determines how fast it grows and in what directions. Second, this system serves a very big labor market because over one-third of all the young people in the nation enter the labor market through higher education. There are only two other countries which exceed the 30 percent level, and they are Canada and Sweden. The United States is considerably above both of those nations.

In terms of the employment connection for higher education generally in the United States, it can be said to overall work very well. The students are quite alert and generally pretty well informed about opportunities in the labor market. They then make their decisions as to what courses they want to follow and where, and the institutions respond very quickly. Particularly the community colleges, with their use of part-time faculty, can respond in the course of a couple of weeks to changes in labor market demands as seen by the students. Universities and four-year colleges take somewhat longer.

This system works sufficiently well so that in all of our history we have not had any great surpluses or deficits of college graduates in any fields for any substantial period of time. We have a certain tendency, however, to oversupply graduates to the labor market. The reason for this oversupply is that there are heavy public subsidies of higher education including private higher education. As a consequence, the private costs are lower than the total costs and the private rate of return is quite high so that it pays a lot of people to get an education, which in a modest way oversupplies the labor market.

From the long run point of view of the nation, this trend is rather a good thing. The slight oversupply of people who are going to college does tend to keep down the differentials paid to people with an education and thereby contributes toward equalizing incomes in the United States, a process which we rather badly need.

I would say that our major problem in the United States, in the relationship between higher education and the labor market, is that we do lose some talent. We are not getting all of the best talent in the United States into higher education. As far as one can calculate, we lose about 10 percent of our ablest young people -- defined as those in the top 20 percent of ability -- who do not go to college. This 10 percent, incidentally, is much less than it once

was because we are now quite adequately bringing in the talent of women. We have more women in our colleges and universities than men and they are beginning to move up into graduate work. However, we are losing a certain amount of talent among our minority groups and particularly those from low-income families. The international competition, as it is developing, is going to depend more and more on what proportion of the high talent in each society is actually put through higher education and then into the labor market for higher skills.

There are other difficulties in higher education's supply to the labor market because a college education takes four years and students usually make up their minds well in advance where they want to go. The decision to enter, for example, a field such as engineering is made five years before the person enters the labor market. This time lag does cause some temporary difficulties in meeting the changing needs of the labor market. At the time of subsequent graduation, there may be an under or over-supply in the market. This situation, though, is really quite inevitable whenever you have that length of a delay between the decision to enter a field and the receipt of the degree.

We have only one area in which it can be said that there is any planning -- every place else we rely upon the market -- and that is in the field of medicine. One can hardly call it planning but the Federal Government is the major source of funds for new medical schools or expansion of existing medical schools. When the Federal Government decides that it is not going to supply any more money for new medical schools or expansion of existing schools, that in a way plans the number of young doctors coming out of the medical school system. However, the market does affect this process in small part because some young Americans who cannot get into one of our medical schools may go to a medical school abroad which therefore brings in a market adjustment on top of this guidance by the Federal Government. We also do bring in a certain number of doctors who are citizens of other countries. In the Cook County Hospital, which covers Chicago, there are more graduates from the medical school of the University of Calcutta than of any medical school in the United States. There is planning for the number of Americans who get American degrees, but there are market adjustments as well.

Now, having said that the labor market connection with higher education works well, one must say at the same time that we have very grave difficulties at the level of the high school. Higher education, one can say, has a superior record and the high schools an inferior record in two particular ways. First of all, we have a relatively low level of high school completion. We have a completion rate now of something less than 75 percent. The Japanese rate is 90 percent which is the rate we would like to have. It is very difficult for young people without a high school diploma to get a job in the United States, so the high schools are not doing very well. Second, as far as we can measure, about a quarter of those who have a high school degree are not fully qualified in the basic skills of reading and writing and of arithmetic.

Let me say, however, that those who go on to higher education do, to some extent, make up on these losses. The test scores at high school graduation, for 30 years now, have been declining somewhat regularly. However, the test scores at college graduation for entrance to graduate school, medical school, law school or business school have remained about even, which means that higher education to some extent makes up for the deficits at the high school level. In other words, the value added by a higher education degree has increased while the value added by a high school degree has been going down.

At this point I would like to make a few additional comments. I think there are three areas in which our higher education, despite its good overall record, could do better. And they are in professional fields. The first one is teacher education. I think it is quite clear that our schools of education, with the many requirements they make for students to take useless courses in order to get their degrees, discourage some of the better students from going into teacher education. Consequently, the quality of our graduates from schools of education is lower than it could be. We would be greatly advantaged in the education profession in the United States if we would limit our schools of education to a few essential courses rather than loading the students down with many courses that they do not want or need.

I think we also have some difficulties in engineering, where the emphasis is mostly upon the scientific and design aspects of the field. We have very few programs to prepare production engineers who work on the floor. Japan is quite superior in that way, and it is remarkable to go into a Japanese

factory to see the engineers right there on the floor available to be called upon at any time by the workers pulling a rope or pushing a bell. We train very few people to be production engineers on the floor.

Business administration is the third area which I would like to criticize. Here again we have placed our emphasis upon marketing and finance, and not on production management. At the University of California at Berkeley, I counted recently that the School of Business Administration had 50 courses at the undergraduate level but only one in production management. At the graduate level, out of one hundred courses, only two were in production management. Likewise, we are very weak, as compared with the Japanese, in our policies and training for effective human relations with people in the work force. We generally still train people, both in engineering and in business administration, to treat the individual worker as a separate entity, with individual job descriptions and individual rewards for production, rather than taking a look at the person as a member of the team -- training people to be members of teams and rewarding them as members of teams rather than as isolated individuals. I would also fault our schools of business administration on the grounds that they have been too content with the American system of business management. There is a great deal of criticism of our educational system for having failed the American economy. In my conviction, and in the various econometric studies which have been made, it is quite clear that the fault lies not so much with education but with American management and the economic policies of our national government on saving, investment and many other related matters.

The major econometric study made of productivity in the United States concludes that the major source of decline in productivity increase in the United States is traceable to management. Some of that, I think, can be traced to our schools of business administration because they have not been sufficiently critical in their research and in their commentary on the practices of American management. And our schools of business administration have been too much concerned with serving the corporations, giving them the type of people they think they want and commending American management for its accomplishments which historically were quite great. They have failed in

not being a sufficient source of criticism on the conduct of American management which I would hold essentially responsible for the comparative decline of the American economy and not the education system.

So let me say in quick conclusion that, with very few exceptions, higher education serves well the labor market in the American economy and superbly so in some of the technical areas like the advanced sciences. However, it does not serve so well in teacher education, engineering and business administration. Our great problems lie at the high school level, the primary school level, and education at home. We are discovering more and more that the most important school is not the college, not the high school, not the elementary school but the home -- that is where our problems begin.

CHAIRMAN: Thank you, Dr. Kerr, for your usual lucid, convincing statement of pluses and minuses.